

# The State Budget and the Dilemma for UC

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**Daniel J.B. Mitchell**

*Ho-Su Wu Professor*

*Oct. 29, 2004*

# **The State Budget and the Dilemma for UC: *Groping for a Solution***



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**“Everybody is entitled  
to my opinion.”**

*Madonna*



**“Everybody is entitled  
to my opinion.”**

*Mitchell*

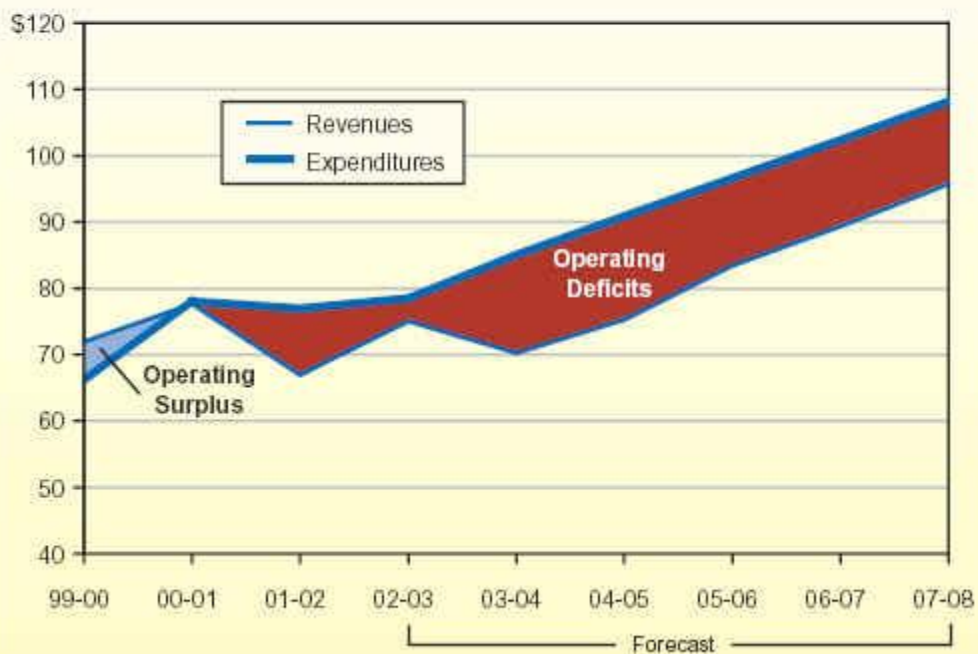


# The only thing we learn from history....

Figure 3

## Current Law Operating Deficits to Persist

General Fund  
(In Billions)



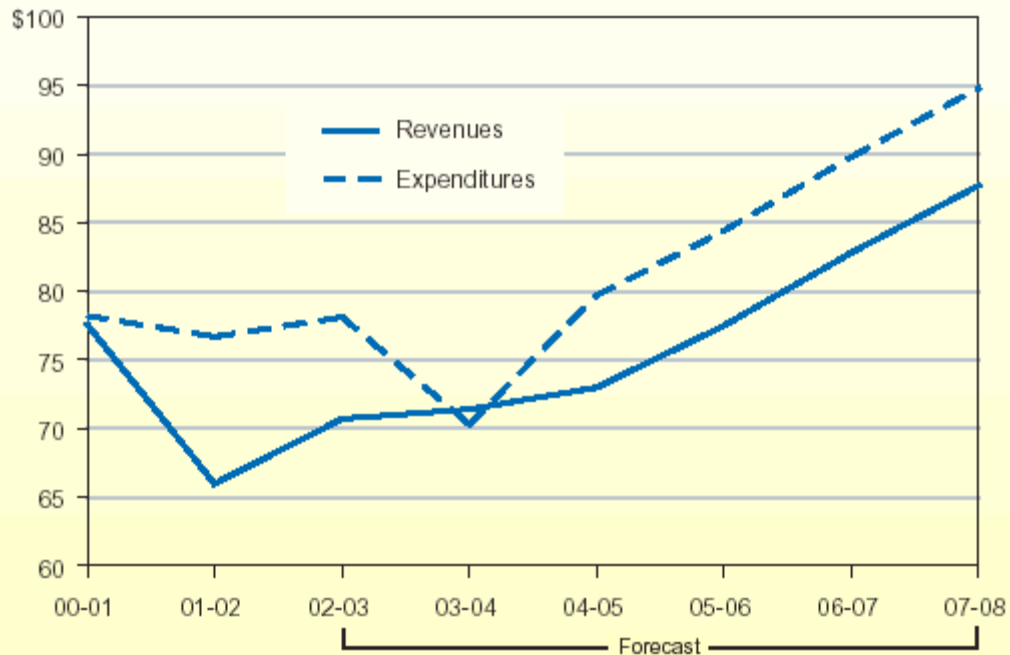
LAO: November 2002

# The only thing we learn from history....

Figure 7

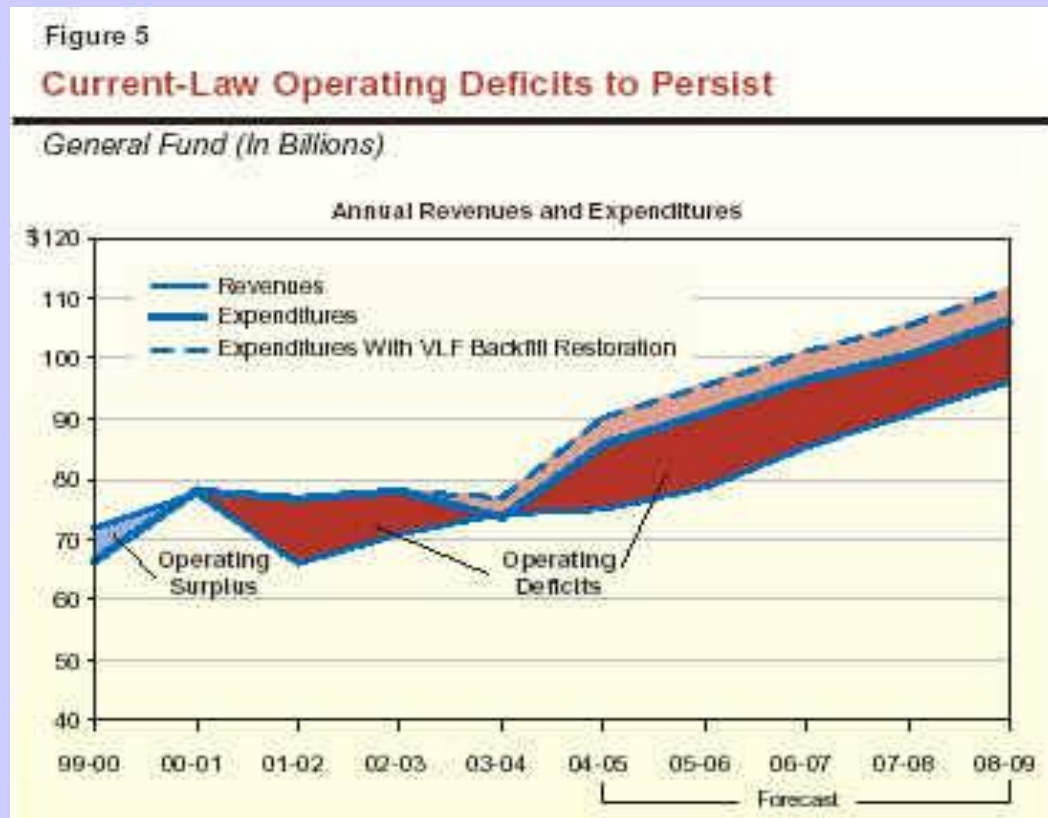
## Persistent Gap Would Reemerge Under Governor's Plan

General Fund  
(In Billions)



**LAO: May Revise 2003**

# The only thing we learn from history....



**LAO: November 2003**

***“We have a great budget.  
The May revise is really  
spectacular.”***



**Governor Arnold  
Schwarzenegger  
describing his May revise  
budget proposal**

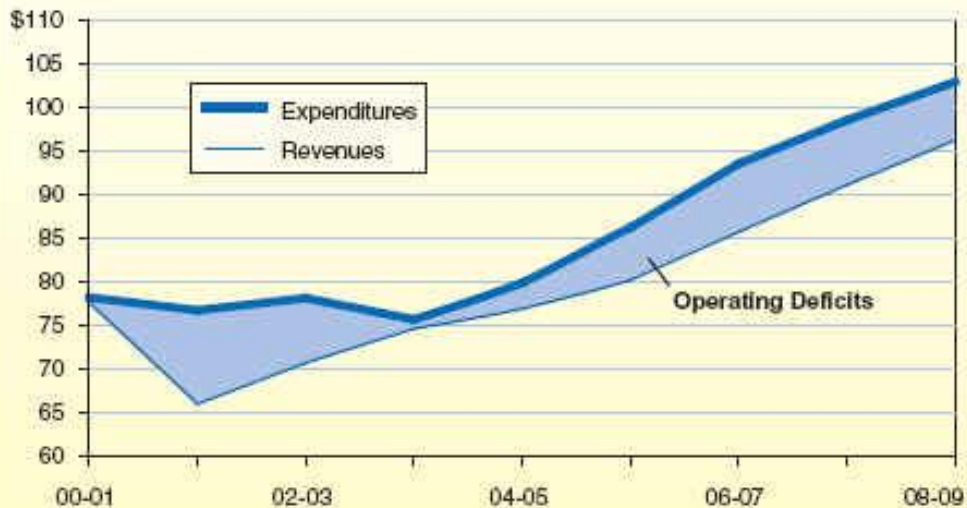


# The only thing we learn from history....

Figure 12

## Large Operating Shortfalls to Persist Under May Revision<sup>a</sup>

General Fund  
(In Billions)

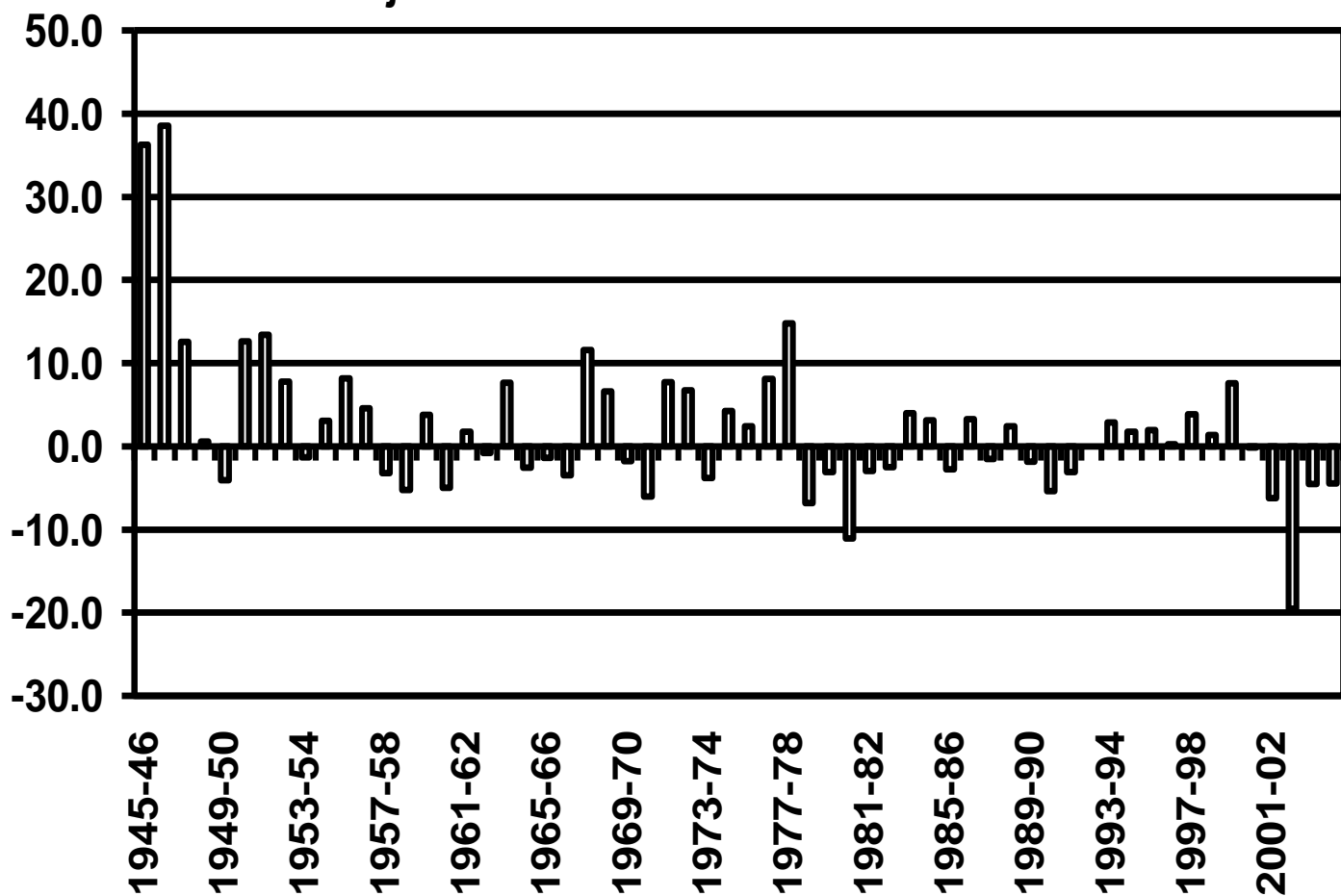


<sup>a</sup> LAO estimates. Excludes proposed use of Economic Recovery Bond proceeds.

**LAO: May Revise 2004**

# *Budget Outcome*

Surpluses or Deficits as Percent of  
Adjusted Revenues and Transfers



*Is this fair?*



***“You really know how to hurt a guy.”***



**Governor Arnold Schwarzenegger  
when asked whether his budget  
proposals, involving borrowing to cover  
deficit spending, were not similar to  
former Governor Davis' proposals**



# *Good feeling/Optimism*





***“Guys, don’t worry. You see me worry? It’ll be take care of. It’s a piece of cake.”***



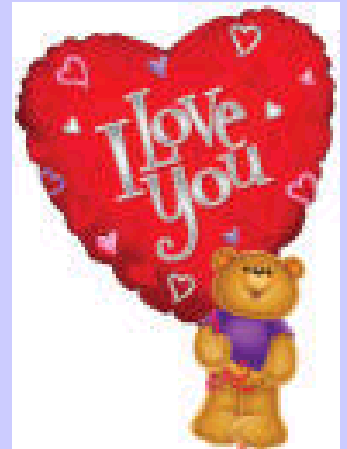
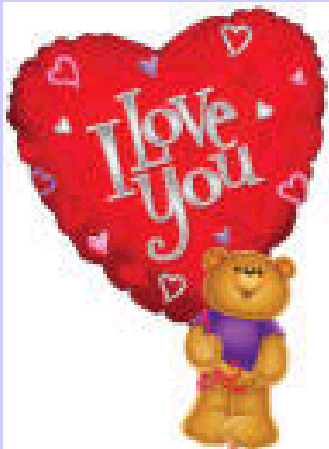
**Governor Arnold Schwarzenegger  
commenting on concerns about growth  
of state debt under the budget  
proposal**



# *Soft hearted*



***“You cannot not like this governor. He won’t let you.”***



**State Senator Sheila Kuehl**



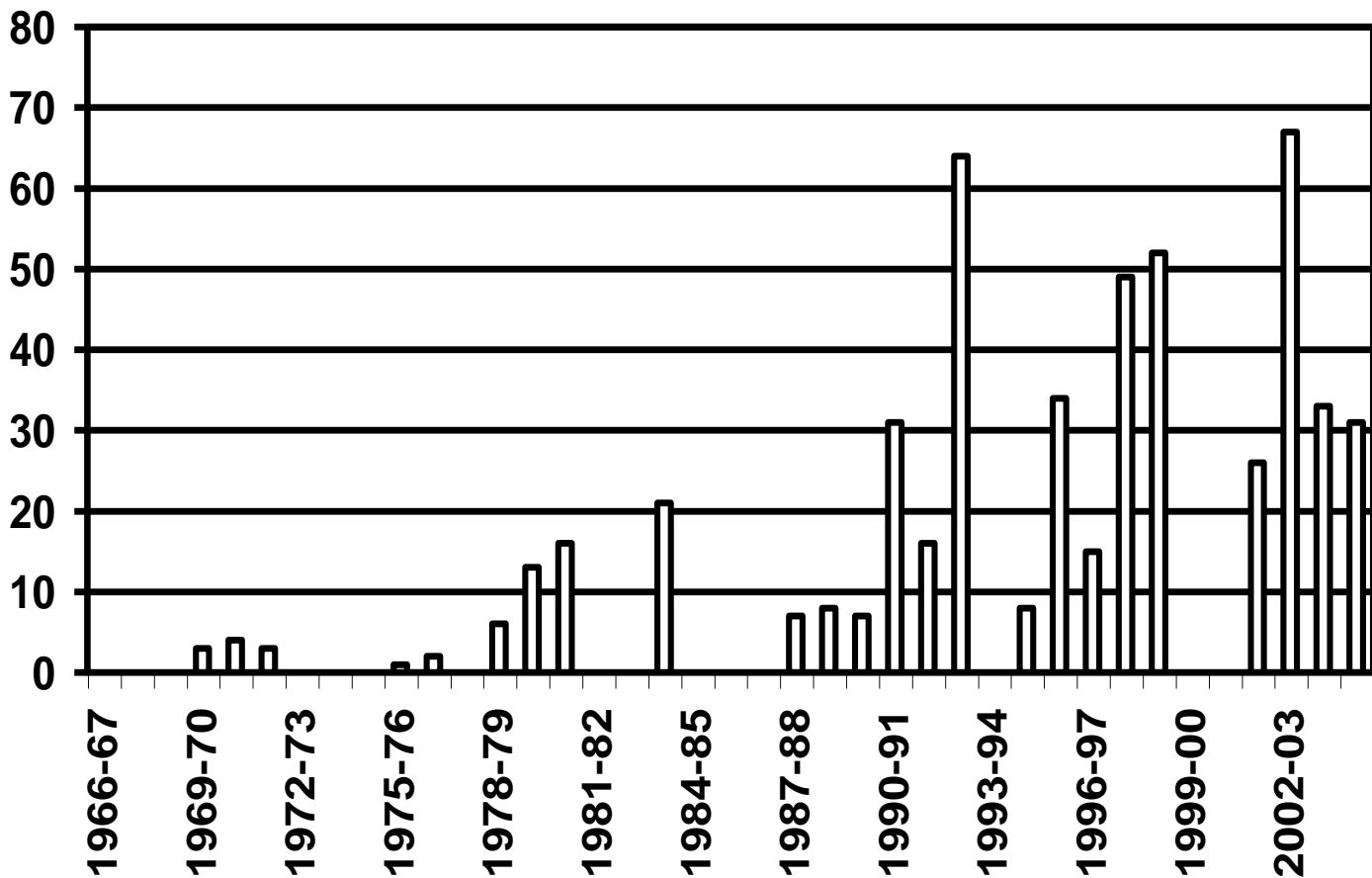
*Hands on approach...*



*...with (mainly) legal  
borrowing*

# *Budget Delay*

Days of Budget Delay Beyond June 30



*"Of course we will miss the deadline, but you have to shoot for something; that's my goal. It's the same as shooting for a 500-pound lift and you make it with 495 or something like that. 'Is it disappointing? No, it's great. It's a terrific lift. No one else can do it.'"*



**Governor Arnold  
Schwarzenegger  
commenting on missing  
the June 30 deadline**

# Governor on vetoing AB 2435 mandating teaching financial management to school children...



*“Although I am unable to support this legislation, I agree with the importance of learning to spend wisely and properly manage finances... I would welcome future legislation that requires all members of the State Legislature to complete a course in financial management and responsibility.”*

# The Age of Compacts

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budget

# The Age of Compacts

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- **K-12 Calif. Teachers Assn.**
  - Prop 98 floor
- **Indian Gambling**
  - Federal & state legislation
- **Local Governments**
  - Prop 65 bargaining chip
- **State Employees**
  - Pre-existing collective bargaining contracts
- **Higher Education**
  - ???



***“The University of California and California State University systems went in like sheep carrying their own scissors.”***



**State Senator Sheila Kuehl**

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***“We believe we had to stop the bleeding. We did it because we felt it was the best of the options we were looking at.”***

**UC VP Larry Hershman**

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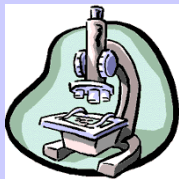
***“He looked (UC President) Bob Dynes and me in the eye and he said, ‘I will keep my commitment.’ And that’s all I need.”***

**CSU Chancellor Charles Reed**



# What About UC & UCLA?

- *Budget provides \$2.7 billion for UC from general fund*
- *Steady erosion from prior levels*
- *Old “compact” with prior governor is dead*
- *New compact is heavy on micro-management and vague*
- *Overall UC budget is > \$18 billion but non-state monies cannot be diverted into basic educational program*
- *“UC premium” relative to CSU is about \$1.3 billion; roughly equivalent to a doubling of tuition revenue.*



6x

2x

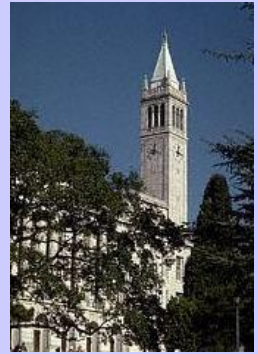




???

# UC or...

*Cal State-Berkeley*



*Cal State-Westwood*



*Cal State-La Jolla*



*Etc.*



???

# Erosion at the margin can ultimately have a drastic effect



*“Decimate” originally referred to the killing of every tenth person, a punishment used in the Roman army for mutinous legions.*

# *Master Plan for Higher Education: 1960*





# ***Master Plan for Higher Education: 1960***



**Medicaid/MediCal**



**Prop 13 / Prop 98**



**Aging Population / Growing Poor  
Population**



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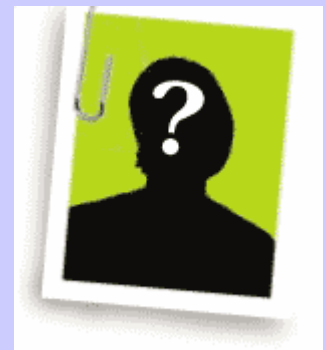


# The Access Issue

*“Until you turn students away, you will never get the support for higher education.”*

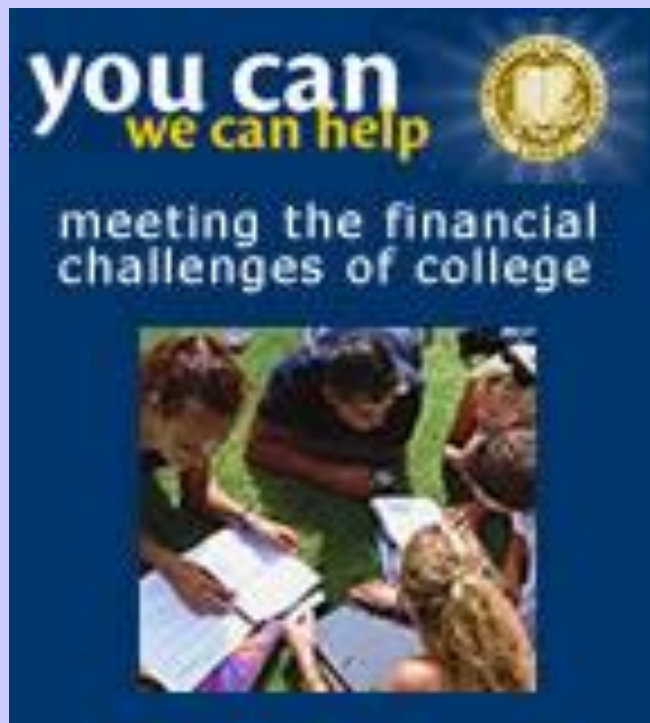


**CSU President Charles Reed  
reporting on advice from  
unnamed legislator**





# The Alternative



*Moving towards the  
“Michigan Model”*



# The Problem

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**Won't work for CSU**

meeting the financial  
challenges of college

**May not work for all  
UC campuses**

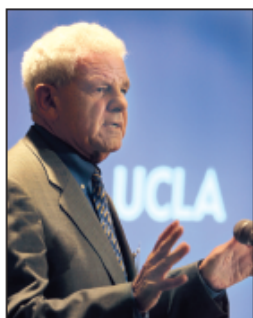
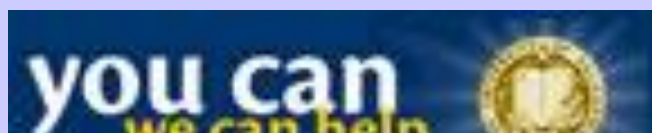


**Full service everywhere,  
even Merced? Priorities?**

***Moving towards the  
“Michigan Model”***



# The Problem



AL BIRD Los Angeles Times  
**PROPOSER: UCLA**  
Chancellor Albert Carnesale.

## UCLA Chancellor Calls for a Hefty Tuition Boost

Fees may have to more than double for the university to remain first rate, Carnesale says.

By PETER Y. HONG  
Times Staff Writer

UCLA would have to significantly raise, perhaps more than double, the cost of its undergraduate program to remain a first-rate university, Chancellor Albert Carnesale said Thursday.

Although the chancellor said

such a fee hike is years away from gaining support, his call for an increase, from the current \$6,600, underscored how far the UC system has departed from one of its founding tenets as a tuition-free university.

In the face of dwindling state funding, Carnesale said UCLA "will not be able to match the elite private universities" in quality under its current fee structure for California residents. He said budget cuts have made it increasingly difficult for UCLA to recruit and keep top faculty and graduate students.

Speaking to Town Hall, a downtown Los Angeles civic group, Carnesale pledged to increase financial aid if any fee increases were enacted to ensure that UCLA remains open to low-income students.

The University of California Board of Regents, the Legislature and the governor must approve such a fee increase, and securing their support would not happen quickly, Carnesale said.

"It will be years, not months," he said.

All seven UC undergraduate programs charge roughly the

same fees. Carnesale said that it might be appropriate for some campuses, including the more selective UCLA and UC Berkeley, to charge more.

Assembly Speaker Fabian Nuñez (D-Los Angeles), who is also a UC regent, said he doubted that a large fee increase, even one accompanied by greater financial aid, would pass the Legislature.

Noting that UC fees have risen sharply over the last three years, Nuñez said, "We've done so much damage to ... middle-

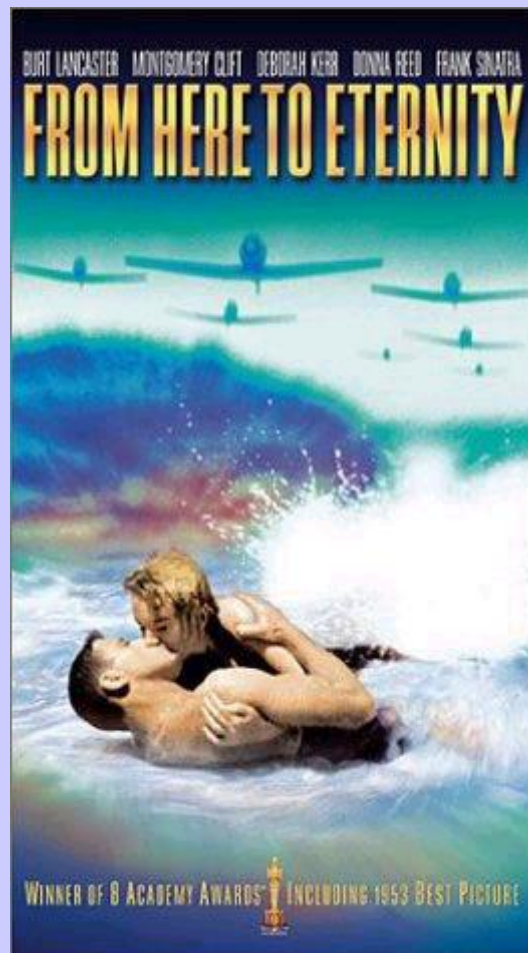
[See UCLA, Page B7]



*Moving towards the  
"Michigan Model"*

LA Times 10/8/04

**Deborah Kerr: “*I never knew it could be like this.*”**



**Clark Kerr: “*I never knew it could be like this, either.*”**



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